B6300-2

World Financial Markets

Morgan Guaranty Trust Company of New York

February 1985

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Argentina

It is nearly a year and a half since the Argentine people went to the polls — their first opportunity to vote in a decade — and gave an overwhelming mandate to President Raúl Alfonsín. The end of military government and the electoral success of Mr. Alfonsín created not only a strong expectation of political stability but also a climate of genuine hope for economic progress. One clear message sent by voters was that Argentines had had enough of the failed policies and broken promises of the past and were ready for a new beginning — a social and business climate free from the hyperinflation, foreign exchange shortages, and stagnation that have plagued the country for decades.

In its first months in office the new government spent time assessing the gravity of the economic situation it had inherited and asked for a chance to formulate and adopt appropriate policies. This cautious attitude unwittingly created an atmosphere of uncertainty and led to speculation about the future course of events in Argentina. In the meantime inflation skyrocketed to an annualized rate of 1,500% and a $4 billion backlog of overdue trade credits and interest arrears on external debt threatened to paralyze economic activity.

The decision to adopt a conventional economic adjustment program was finally made in September of last year, when the Argentine authorities announced agreement with the International Monetary Fund on a plan of action involving fiscal, monetary, wage, and exchange rate measures. In the following months an accord was reached with private commercial banks and official lending agencies to support this program financially. The support package is made up of IMF facilities ($1.7 billion), new loans from commercial banks ($4.2 billion) and official creditors ($2 billion), and reschedulings of existing public- and private-sector external debts by banks ($16 billion) and governments under the Paris Club (almost $2 billion).

Since last September the Argentine authorities have made an earnest effort to break the country's inflation spiral and improve the external trade performance by changing the direction of macroeconomic policies. The government budgetary deficit has been cut, the growth of monetary aggregates is being contained, and mandatory wage adjustments do not attempt to push real wages higher. The results are limited so far. Progress on inflation is

disappointing: monthly consumer price increases have averaged 20% during November-January, down marginally from the monthly average of 23% in the third quarter of 1984, but much higher than the 14% originally contemplated in the IMF-approved program. In the external area, export earnings are increasing slowly — a growth rate of 8% was recorded in 1984 and the 10% export growth rate that is this year's official target may not be met. The decline in Eurocurrency interest rates and less-than-budgeted import growth, nevertheless, may well compensate for a shortfall in export income and keep Argentina's current account deficit at or below the $2.2 billion for which financing is being provided.

Still missing is a commitment to a bold strategy for economic recovery and expansion in the years ahead. President Raúl Alfonsín has yet to persuade Argentines that government can no longer afford to expend all of its energy and authority settling distributional claims at the expense of efficiency and growth objectives. To put the country's rich human and natural resources to better use, key price signals, such as interest rates, wage scales, and exchange rates, increasingly must be set by competitive markets to reflect relative scarcities. The public sector, the root cause of inflation and stagnation, has to be cut back to allow for rapid growth in the private sector: the monopolies and quasi monopolies enjoyed by state-run companies and financial institutions should be ended, and ownership of many transferred via the sale of shares to the public. The tax system needs to be reformed to enable the permanent abolition of export taxes, to encourage faster expansion of agricultural production. Tariff and other barriers to imports of raw materials and capital and intermediate goods ought to be lowered in order to promote investment in competitive industries.

In Argentina, as in other major Latin American debtor countries, domestic economic and financial reforms that go beyond short-term inflation and external payments stabilization efforts are essential to promote savings, stimulate productive investment, induce a return of flight capital, and deliver strong economic growth. Without them, Argentina will not be able to realize its great potential. Perhaps newly appointed economy minister Juan Sourrouille, who recently drew up suggested guidelines for a growth- and export-oriented development strategy while heading the government's planning office, can lead such a precedent-setting reform effort.

Overview

The performance of the Argentine economy during the past several decades has been very disappointing. Prior to the Great Depression, Argentina had a reputation as a prosperous nation, and it ranked among the ten countries with the highest living standards in the world. Currently, it ranks about fortieth in terms of per capita income, trailing badly behind all the nations with which it used to be compared. Argentina's expanding wheat fields and herds of cattle once were of strategic importance to a hungry Europe. In 1929 the country's record wheat production represented almost 10% of the world's total. Nowadays Argentina harvests about 2% of the world's wheat, and competes against Europe's surplus wheat in international grain markets. The country used to be known as an important trading nation: before the Great Crash, Argentine exports and imports accounted for almost 3% of the world's total. On a per capita basis its annual export income was

Table 1

Comparative economic growth performance

	1984 GDP per capita	% change in real terms	
	Current $	Cumulative since 1925	Annual average since 1950
Argentina	2,630	65	0.7
Brazil	1,670	340	3.4
Mexico	2,350	200	2.2
Australia	10,840	165	2.3
Canada	13,100	265	2.2

about 85% that of Australia's and 70% of Canada's. By 1983, however, Argentina's share in world trade had shrunk to less than 0.5%, and its per capita exports were down to 20% of Australia's and 10% of Canada's.

Argentina's early prosperity was the result of an export-led growth pattern. Rising European demand for land-intensive commodities, technical progress in the form of railroads and refrigerated ships, and a welcoming attitude toward foreign capital and labor combined to induce a boom in crop production and cattle raising in Argentina which generated GDP growth of about 5% per annum from the mid-1800s until the eve of the Depression. Public support for this successful development pattern was seriously eroded, however, by the interruption of trade and capital flows brought about by the Depression and World War II, concurrent disputes with Great Britain over the fate of investments in Argentina and blocked sterling deposits, and the adoption by Britain of trade preferences for Commonwealth countries.

In the 1930s industries oriented toward the domestic market sprang up because world conditions did not justify new investments in agriculture, while measures to stem imports (devaluation and tariff increases) in the face of lower exports encouraged a degree of self-sufficiency. But in the 1940s, and especially under President Juan D. Perón, public policy reflected the mood of the time and turned openly supportive of import-substituting industrialization, spending on public works and social causes, and nationalization of foreign holdings. At the same time, Perón's populism resulted in increased urban wages and strong labor unions, food prices that were held down artificially, and industrial development strongly dependent on protectionism, cheap credit, and tax benefits.

Within a few years Perón's policies led to inflation and external payments difficulties, and corrective measures had to be adopted. Yet, neither he nor any of the many civilian and military presidents who followed him was ever able to turn back the tide of state intervention. Once the power of government to alter the relative profitability of land, capital, and labor had been amply demonstrated, the notion that the state was a prize to be captured and used to advantage became firmly entrenched among the vested interests of agriculture, industry, and unionized labor. In the last four decades as many as 40 finance ministers have held office long enough to deal with the issue of the day — the overvaluation of the currency harming agriculture, the high cost of credit damaging industry, or labor demands for higher wages — without being able to forge a consensus on longer-term development goals.

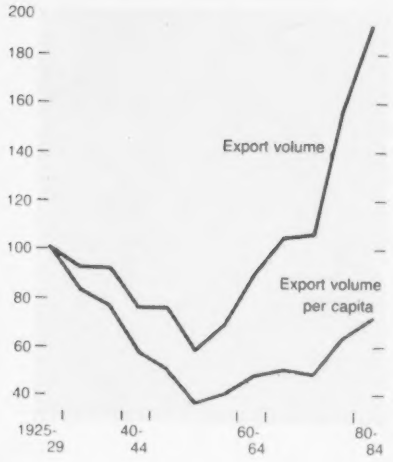
The internecine struggle to redistribute income and wealth in one direction or another, even if for a short period of time, has discouraged efficient investment in every sector of the economy, stimulated capital flight, and pushed inflation ever higher. In terms of economic growth, the cost is evident: since 1925, real per capita incomes in Argentina have risen by a cumulative total of only 65% — a yearly growth rate of less than 1%, among the lowest in the world. Meanwhile, countries such as Australia and Canada, which were then at a comparable stage of development, have seen their real per capita incomes increase by 165% and 265%, respectively (see Table 1). Poorer countries such as Mexico and Brazil have tripled and more than quadrupled, respectively, their real incomes per person.

Export performance has suffered even more. The volume of Argentine exports registered an absolute de-

Chart 1

Export volume

indices, five-year averages
1925–29 = 100



cline of 40% from the late 1920s to the early 1950s and, while the export quantum has recuperated since then, it is still only double what it was 60 years ago. Export volume on a per capita basis, however, remains 25% below its pre-Depression level (see Chart 1) — one of the poorest export volume trends on record.

Recent developments

When President Raúl Alfonsín took office in December 1983 the Argentine economy was in very poor condition. An austerity program launched a year earlier by the outgoing military government, with the support of an IMF Standby arrangement, had been abandoned in midstream. Inflation had reached 400%, up from around 200% in 1982 and 100% in 1981. Real GDP had risen almost 3% — but was still more than 8% below its 1980 level. Foreign exchange reserves were down to about $1 billion, and commercial and interest arrears of over $3 billion had been accumulated. Some $21 billion in principal payments on the foreign debt either were due already or were to become due in the coming twelve months.

Initially the new administration thought that a restoration of confidence would enable it to achieve several objectives quickly and simultaneously: lower inflation, renewed economic growth, higher real wages, and a stronger balance of payments. At the beginning of each month, the authorities announced targets for inflation, interest rates on deposits and loans, and wage adjustments and then devalued the currency accordingly. Price controls were applied to major industrial companies. Legislation proposing several tax-raising measures was sent to Congress right away, but submission of a full budget was delayed until mid-year. The latter kept treasury financing to the public sector in line with prior-year, inflation-eroded budget authorizations, at least for all expenditures other than salaries and interest payments. Negotiations with the IMF and foreign creditor banks and governments were started.

The results were disappointing. Fiscal and monetary policies were not convincingly restrictive: the tax measures did not go into effect until much later in the year; public enterprises and state and local governments attempted to keep up spending despite budgetary restrictions by slowing down or stopping payments to private-sector suppliers; and the central bank failed to slow the growth of monetary aggregates. Price controls were evaded by medium- and small-sized firms, and by retailers generally. As the difference between targeted and actual inflation persisted (see Table 2), workers were compensated with retroactive wage adjustments and monetary policy was loosened to accommodate them. However, because the exchange rate and interest rates were not adjusted retroactively, the currency lost competitiveness and interest rates became steadily negative in real terms. Once inflation had accelerated beyond 27% in September, versus an announced target of 16%, the government abandoned the effort in favor of the more conventional stabilization program now being applied.

The policy package developed in conjunction with the IMF gives impetus, first, to the government's early attempt to cut the public-sector deficit. The available figures would suggest that, in 1983, the fiscal imbalance was the equivalent of nearly 16% of GDP, down slightly from the prior year (see Table 3). In reality, the situation was much worse since the deficit of the non-financial public sector was well over 20% of GDP — if the published fiscal accounts included the expense

Table 2

1984 inflation performance

consumer prices
percent change from previous month

	Target	Actual
January	11.0	12.5
February	10.0	17.0
March	10.0	20.3
April	13.0	18.5
May	12.0	17.1
June	14.0	17.9
July	17.0	18.3
August	18.0	22.8
*September**	16.0	27.5
October	16.0	19.3
November	15.0	15.0
December	15.0	19.7
Accumulated total	376.1	688.0

*Inflation of 18% for September and the targets shown for the following months were used to derive year-end fiscal and monetary performance criteria under the IMF Standby.

Table 3

*Public-sector operations**

percent of GDP

	1982	1983	Est. 1984
Revenues	31.7	34.0	33.1
Taxes	18.2	18.8	18.7
Other	13.5	15.2	14.4
Expenditures	48.6	49.9	43.5
Personnel	9.6	12.6	13.7
Interest payments	11.9	5.8	5.3
Domestic debt	5.5	1.0	0.4
Foreign debt	6.4	4.8	4.9
Investment	7.6	8.0	6.5
Other	19.5	23.5	18.0
Deficit	16.9	15.9	10.4

*Budget-execution basis covering most of the nonfinancial public sector, but excluding extrabudgetary spending and losses incurred by the central bank from its activities as financial agent to the treasury.

Table 4

Monetary base

percent change from previous twelve months

1983	
September	250.7
December	356.2
1984	
March	479.0
June	481.4
September	487.7
December	435.5
1985	
January	428.0

Table 5

Industrial wages and production

in real terms
percent change from previous year

	Wages	Production
1981	—7.0	—15.9
1982	—5.1	—4.8
1983	27.0	10.8
1984 est.	20.0	4.5

to the central bank of having to provide interest-free financing to the treasury while paying interest on banks' reserve requirements, mounting losses incurred by many municipalities and state companies not covered by the reporting system, and unspecified, extrabudgetary spending by the central government. The authorities initially favored raising revenues as the means of lowering the fiscal deficit; they would hold down expenditures mainly as an interim step. To this end, Congress approved a 5% employer tax on wages in April and a 7½% employer contribution to social security in August, and taxes on gasoline were increased over 70% in real terms. The total anticipated yield on a full-year basis was 4% of GDP.

As the end of 1984 neared, however, it became evident that these gains to the treasury were being offset by losses of revenues from most other taxes — especially those levied on value added and on personal and corporate incomes — and that the emergency spending cuts made at the beginning of the year would have to be maintained. As shown in Table 3, it is estimated that the 1984 fiscal deficit, defined narrowly, was cut by around 5½% of GDP because investment outlays were pared and transfers to public enterprises and state and local governments were slowed down. Under the agreement reached with the IMF, this deficit will have to be reduced further: by approximately 4% of GDP to about 6%-7% of GDP (or 5½% of GDP as measured by the Fund on a so-called cash basis, as opposed to the accrual basis that is used in Argentina).

The improvement in public-sector finances already has allowed for a deceleration of monetary growth. The monetary base, which expanded during 1983 and early 1984 at an increasing rate that surpassed 500% last April, has been rising somewhat less rapidly in recent months — a year-over-year rate of around 430% as of January (see Table 4). The targets agreed with the IMF for central bank credit creation during the first quarter of 1985 imply, given an assumed evolution in net foreign assets, that the growth of the monetary base will decelerate substantially more.

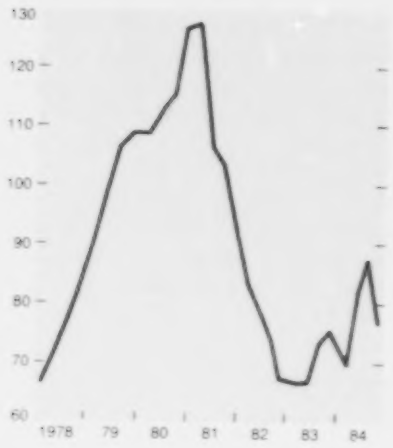
Interest rate policy is becoming more realistic. Since mid-1982, the central bank had been setting maximum interest rate levels on most banking deposits and loans consistently below actual and expected inflation. This had discouraged financial savings overall and particularly through the banking system, spawning a parallel, intercompany money market in which interest rates fluctuate freely. Now, as an integral part of the Fund program, the authorities have pledged to set the regulated interest rate on deposits approximately equal to inflation, but no less than half a percentage point below the monthly inflation rate on a quarterly average basis. Since last September the regulated deposit rate has been increased from 15½% per month to 18%. They have also agreed to give banks more leeway to issue instruments at market-determined interest rates, mainly indexed accounts and banker's acceptances.

Wage policy also has been improved since last September. From mid-1982 until that time, policy under both the outgoing military government and the incoming civilian administration had sought to increase real wages in the private and public sectors through generous, mandatory pay raises in excess of inflation bearing little relation to output and productivity gains. Table 5 shows the figures for industry. In the two years after the second quarter of 1982, for example, real wages in industry had been pushed up by about 65% while industrial production had

Chart 2

Real effective exchange rate

index, 1980-82 = 100



risen only 25% — at the expense of accelerating inflation, of course, because the central bank accommodated the impact on costs in private and public enterprises. In recent months, however, the authorities have stopped attempting to raise real wages further, and are granting monthly adjustments and catch-up increases in a manner that is increasingly consistent with the goal of reducing inflation. In the public sector salaries have begun to fall in real terms.

Exchange rate policy is another key element of the IMF-supported economic program. In the two years following the first quarter of 1981, the Argentine currency was devalued very sharply on a real effective basis to compensate for the unprecedented overvaluation that had occurred from 1978 to 1981 (see Chart 2). This exchange rate correction was instrumental in improving the country's external trade performance, from a peak deficit of $1.4 billion (FOB/FOB) in 1980 to a $3.7 billion surplus in 1983. But the gain in competitiveness began to erode in 1984 as the pace of devaluations was determined by targeted rather than actual inflation. This began to be corrected in October: then, and again in November, the exchange rate was adjusted by more than the increase in prices, and the authorities have committed to continue devaluing at a minimum by Argentina's inflation differential, but as much as necessary to attain the balance of payments objectives of the program, in particular a current account deficit no higher than $2.2 billion.

According to the official estimates prepared almost six months ago and embodied in the program supported by the IMF and foreign creditors, exports are to rise 10% in 1985, to $9.6 billion (see Table 6). However, the most recent estimates made by private and official sources point to a somewhat slower growth rate from a lower 1984 base, especially in view of weaker commodity prices. Nevertheless, even though modest import growth is still envisioned from a similarly lower-than-anticipated 1984 base, it is likely that the current account deficit will be smaller than the official forecast. The reason is the drop in Eurocurrency interest rates which, if sustained, could save Argentina as much as $1 billion relative to the interest bill budgeted six months ago.

Table 6

Current account

billions of dollars

		Official estimate*		Est.	Proj.
	1983	1984	1985	1984	1985
Merchandise exports	7.8	8.7	9.6	8.4	9.0
Merchandise imports (FOB)	—4.1	—4.3	—4.7	—4.1	—4.4
Trade balance (FOB/FOB)	3.7	4.4	4.9	4.3	4.6
Services and transfers, net	—6.2	—6.6	—7.1	—6.6	—6.5
Interest payments scheduled	—5.4	—5.8	—6.4	—5.7	—5.5
Current account balance	—2.5	—2.2	—2.2	—2.3	—1.9
Memorandum:					
Total external debt (including arrears) at year-end	46.0	48.4	50.1	48.5	50.0
as % of total exports**	450	454	444	454	444

*As of September 1984. Official estimate restated with imports on FOB rather than CIF basis.
**Total indebtedness at midyear as percent of exports of goods and services.

The challenge ahead

The policy decisions taken in the past six months are evidence that the Argentine authorities, after a slow start early in 1984, are intent on bringing the country's extremely rapid inflation under control and improving its external payments position. The program prepared in conjunction with the IMF, by attacking the fiscal, monetary, and wage policy roots of inflation, offers an opportunity that must not be missed — as it was two years ago, under far less auspicious political circumstances — to break the vicious cycle the economy is in.

At the same time, the stabilization

Chart 3

Public-sector revenues and expenditures *

percent of GDP

* Coverage limitations same as in Table 3

program constitutes only a beginning: it is not the answer to six decades of stagnation in Argentina. This stagnation, now compounded by triple-digit inflation, is the result of highhanded government intervention in one key market after another, on behalf of one pressure group or another, which over time has destroyed the climate and incentives necessary for productive investment. The economic system of Argentina, characterized recently by one observer as "socialism without planning and capitalism without markets," must be reformed in order to lay the base for renewed economic growth.

An essential requirement of such a reform is a recognition that prices throughout the economy must respond to economic forces rather than bureaucratic dictates — that markets need deregulation to function effectively. At present, most markets in Argentina are strikingly distorted and segmented: there is an official exchange rate for approved transactions and a parallel quotation (which normally has been from 15% to 30% higher) for nonapproved transactions; a legal market for bank deposits and loans usually at negative interest rates in real terms, alongside an intercompany financial market in which positive rates prevail; and a conventional market for labor, goods, and services in which wage decrees apply, price controls are imposed, and taxes are levied, while an underground economy flourishes with higher, largely untaxed returns to labor, capital, and entrepreneurship. This situation, wherein officially sanctioned markets provide the wrong signals and incentives, cannot be allowed to continue; it creates inefficiencies, fosters speculation, and undermines the legal and moral foundation of economic interaction. Until prices in regulated markets are allowed to move to supply and demand equilibrium, foreign exchange will appear to be in short supply, financial savings will seem to be inadequate, and the country's recorded, taxable production will expand by less than its potential.

Aside from deregulation of markets, there should be a cutback in the size of the public sector in Argentina. The available statistics show that government expenditures have risen from the equivalent of just over 30% of GDP in the 1960s and early 1970s to 50% of GDP at present (see Chart 3). This trend underestimates the growth of the public sector because the sample used to derive these data excludes, for example, spending by all states and municipalities other than Buenos Aires, the approximately 250 mostly small- and medium-sized companies (including a veritable military-industrial complex) that are now fully or partly owned by federal, state, and local governments, and the activities of government-operated commercial, investment, housing, and development banks that together capture half of all deposits in the financial system.

Argentine governments to date have tried to raise revenues to cover this boom in public expenditures. More often than not, the attempt has failed and sizable, inflationary deficits have ensued — financed through either the printing press or external indebtedness. Therefore, the time has come to explore avenues to reverse the trend in spending.

As a first step, the scope of public enterprises ought to be limited to make room for private investment — as is being done, to some degree, in the area of petroleum exploration. There is little economic justification for government to have monopoly powers or to exercise so dominant a position in leading growth areas such as communications, petroleum, shipping, banking, natural gas, insurance, metals, petrochemicals, and mining. Moreover, state com-

Table 7

Real GDP

percent change from previous year, except where noted

	1981	1982	1983	1984 Jan.-Sept.*	1984 % of total
Total GDP	—6.2	—5.1	3.1	2.5	100.0
Agriculture	2.4	7.3	0.9	3.7	14.1
Manufacturing	—16.0	—4.7	10.8	4.3	21.5
Services and other	—4.4	—7.4	1.2	1.7	64.4
Consumption	—3.0	—10.7	3.7	5.6	81.9
Investment	—23.1	—15.3	—8.4	—17.1	11.6
Exports	7.9	1.5	8.2	3.7	15.0
Imports	—3.8	—42.1	—4.7	0.1	8.5

*From previous Jan.-Sept.

panies and financial institutions could be privatized by sales of shares to the public, thus moving away from the present situation in which no major public enterprise issues stocks that are traded. Privatization, even if partial, could improve the capitalization of state-controlled companies, increase their accountability, and spur them to seek profitability. Finally, the oversized federal, state, and local bureaucracies ought to be trimmed down. Currently, there are more than twice as many federal employees relative to the labor force in Argentina than in Canada or the United States, and the situation at the state and local levels is probably much worse.

The other major aspect of structural reform is removal of the anti-export bias in the tax system and the import tariff regime in Argentina. Taxes on most agricultural exports, which were increased in late 1984 to a maximum of 31%, have become the third most important source of revenues to the national treasury, exceeded only by value-added and gasoline taxes. Although tax rates have since been lowered somewhat (to a range of 18%-25% for most grains), it is hard to lessen dependence on export taxes at a time when other tax collections are eroded by inflation and are falling in relation to GDP. Nevertheless, export taxes eventually must be abolished if agriculture is ever to realize its full potential. Taxes on exports are harmful because, as they apply equally to existing and new production for export, farmers are deterred from paying the higher cost of bringing marginal lands into cultivation and improving the soil through fertilization and irrigation. The tangible benefit from their removal is illustrated by the short-lived experience of 1976-80, when export taxes were eliminated and grain production rose within a year from an average of about 25 million tons to over 30 million tons. On an interim basis, export taxes could be applied less heavily or not at all to agricultural exports above a benchmark level. There is no question, however, that the solution is for export taxes to be phased out in favor of assessing and collecting realistic taxes on agricultural income and property.

To boost production and exports of agricultural commodities and manufactured goods, tariff and other restrictions on imported inputs (raw materials and capital and intermediate goods) will have to be eliminated. Traditionally, farmers in Argentina have been forced to pay prices for tractors, pesticides, fertilizers, and the like substantially above international levels because of protection intended to benefit local industries. This retarded technical progress in agriculture and kept yields low. Last year the government abolished the import duty on fertilizers and certain chemicals. This promising measure should now be followed by equally warranted reductions in import barriers to remaining farm inputs and, increasingly, to industrial inputs. In addition, there is need for a comprehensive export-promotion regime based on the recently passed legislation in-

cluding a simplified incentive system, an export information network, and less cumbersome administrative procedures. Finally, the authorities should put into effect their ideas regarding a narrowing of the tariff range to a suggested 10%-50% and the lowering of tariffs to a weighted average no higher than 25%.

A far-reaching reform of the Argentine economic system appears justified, not only by the stagnation exhibited during several decades, but in view of two more recent, deeply disturbing trends: a collapse in investment expenditures and a massive flight of capital. As shown in Table 7, capital formation in Argentina has been falling steadily in recent years — by a cumulative total of over 50% in real terms since 1980, from the equivalent of 23% of GDP then to under 12% of GDP in the first nine months of 1984. It is estimated that current rates of investment are not even sufficient to cover the depreciation of machines, equipment, and office buildings.

In the meantime, capital has been hemorrhaging out of the country. In the six years from end-1977 to end-1983, Argentina's total external debt rose $36.3 billion, from $9.7 billion to $46 billion (including arrears). Net inflows of foreign direct investment during this period were $2.7 billion, and the central bank's international reserves position was eroded by $1½ billion (see Table 8). Overall, therefore, $40½ billion was made available to finance deficits on current account which totaled, in fact, almost $13 billion during the same six years. Part of the $27½ billion difference no doubt is accounted for by contraband imports and large-scale acquisitions of military hardware that were not recorded as imports in the current account of the balance of payments. The bulk, however, corresponds to capital flight, of which some $5½ billion is deposited directly with banks in the industrial countries (as derived from BIS and other statistics), some $3-$5 billion reportedly circulates freely in dollars within Argentina, and the rest is invested in securities and real estate overseas (including in neighboring Uruguay).

Rapid, sustainable economic growth will not be possible in Argentina until domestic investment is revived and a good portion of the capital that left the country is repatriated to provide the savings that are needed. And for this to happen, markets must be deregulated, the public sector must be cut back, and the foreign trade regime must be liberalized.

Many opportunities for productive investment could open up. The agricultural sector, for instance, has enormous potential, especially if industrial countries cut back protection of their own inefficient agriculture. A realistic exchange rate, the absence of export taxes, and duty-free access to imported inputs probably could lead to a 50% increase, in a very short time, in production of grains and oilseeds now averaging 40 million tons per year. The additional 20 million tons would just about double the country's export surplus and bring in an additional $3 billion per annum.

The main reason for optimism in this regard is not the availability of land that could yet be planted, but the low crop yields which if improved could deliver dramatic results. Crop yields in Argentina have increased slowly during the past two decades by international comparison because the combination of export taxes and tariffs on imported inputs has not made it economical for farmers to take full advantage of modern production technologies — especially the application of chemical fertilizers. Yields for wheat and corn in the five agricultural years prior to the current 1984/85 harvest, for example, averaged 28% and

Table 8

Sources and uses of foreign exchange

billions of dollars

	Cumulative 1978-1983
Sources	40.5
Foreign indebtedness	36.3
Foreign investment	2.7
Utilization of foreign exchange reserves	1.5
Uses	12.9
Current account deficits	12.9
*Difference**	27.6

*Accounted in unknown proportions by capital flight, contraband imports, and unrecorded defense purchases.

Table 9

Wheat and corn export potential

annual averages for harvest years 1979/80-1983/84

	Wheat	Corn
Area harvested (millions of hectares)	6.0	3.0
Yields (tons per hectare)	1.70	3.15
United States	2.37	6.40
Production (millions of tons)		
Actual	10.2	9.4
*Potential**	14.2	19.2
Potential exports		
Volume	4.0	9.8
*Earnings** ($ millions)*	520	1,323

*Area harvested in Argentina times yields in the United States.
**At 1984 realized prices of $130/ton of wheat and $135/ton of corn.

Table 10

*Export orientation of industry**

industrial exports as percent of value of industrial output for 1980, except where noted

Argentina	7.4
Greece	17.2
Australia	19.4
*Philippines**	22.7
Portugal	24.4
Korea	27.6
Canada	31.0
*South Africa**	33.7

*1979.

Table 11

Petroleum balance

thousands of barrels per day

	1982	1983	Est. 1984
Production	518	524	508
Imports	17	2	3
Exports	47	39	31
*Consumption**	488	487	480
Memorandum ($ millions):			
Imports	217	27	43
Exports	459	294	297

*Including stock changes and refinery gains.

51% below yields obtained in the United States. Since the climate and soils of Argentina are similar to those in wheat- and corn-growing areas of the United States, the application of comparable technology could drive the country's yields up to U.S. levels. Table 9 illustrates what this could mean for Argentine export earnings in a hypothetical exercise using actual 1984 export prices for wheat and corn and ignoring the relatively modest cost of imported inputs. The difference between the actual Argentine yields for just these two commodities and U.S. yields comes to over $1.8 billion — virtually enough to eliminate the country's deficit on current account.

There is growth and export potential in Argentine industry as well. Despite volatility in exchange rate and other policies, the country doubled its exports of manufactures in real terms between 1970 and 1982. Since then, however, those exports have fallen from about $3 billion in 1982 to under $2½ billion in 1984. The potential lies mainly with natural-resource-based industries and the machinery sector, which makes use of a relatively abundant, skilled labor force. For illustrative purposes, this potential can be quantified in two simplistic ways. One approach is to draw on past performance and measure the hypothetical value of total manufactures exports if every subsector of industry were to have sold abroad as much as it did in its respective, post-1970 peak year. According to this calculation, exports of Argentine manufactures should have reached $5 billion per annum during 1982-84, rather than $2½ billion. An alternative approach draws on international comparative experience and measures the hypothetical value of manufactures exports if Argentine industry were to become as export-oriented as industry in other countries. As shown in Table 10, in 1980 industrial exports represented a mere 7.4% of the value of total Argentine industrial production, down slightly from a peak export orientation of 8.5% in 1978. If supportive policies had encouraged that ratio to have reached, for example, Australia's 19.4% or Canada's 31%, the value of Argentine industrial exports in 1980 might have been $7.6 billion or $12.2 billion, respectively, instead of the actual $2.9 billion. Recent Brazilian experience demonstrates how successful, in actual practice, a country can be in the export of manufactures given the appropriate policy environment.

There is a great deal of promise in the energy sector. Argentina has been a small (less than $300 million per annum) net exporter of petroleum since 1981 and, while the country imports natural gas from Bolivia, this is not out of need but strictly a foreign policy consideration — providing aid to a cash-starved, politically troubled neighbor. This instance of political intrusion into economic affairs, which costs Argentina almost $400 million a year, typifies how energy development has been handled. The country has very large reserves of natural gas and uranium, considerable deposits of petroleum and coal, and ample hydroelectric potential, but nationalism and state intervention have stymied their rational exploitation. Government has had a monopoly in virtually the entire energy field; private companies have been invited to drill for petroleum only when the long-standing goal of self-sufficiency has been seriously endangered. Pricing policies have consistently favored consumers over producers, discouraging production and conservation efforts. For example, as of late 1984 the state oil company needed subsidization because it was receiving less than $12 per barrel for newly extracted crude while its production

costs, inflated by inefficiency, averaged $16 per barrel; consumer prices for refined products other than gasoline were well below international levels, implying yet another large subsidy; and gasoline prices, although high at around $2 per gallon, were in reality too low to cover producers' refining and distribution costs since over 70% of the pump price was taken by the government in the form of taxes.

The authorities at first suspended some 21 exploration and production contracts with private companies but by now have renegotiated the most important. The aim of onshore and offshore exploration is to increase the country's reserves of crude, which have remained unchanged for over a decade at about 2.4 billion barrels, the equivalent of 13 years of production at the 1984 average of 508,000 barrels per day (see Table 11). Still, the climate for an all-out effort is not yet right because pricing policies are barely attractive relative to the costs and risks entailed, and because the acreage made available to private companies is usually not the most promising. The lesson from experience in the late 1950s, when private investment was welcomed warmly, proven reserves were increased by 50% within a few years, and the country became free from its dependence on imported petroleum, is that with appropriate incentives private initiative can tap Argentina's riches fairly quickly. Likewise, if government were to make room for private development of the country's abundant reserves of natural gas — some 25 trillion cubic feet, an amount comparable to Great Britain's reserves and equivalent to a third of Mexico's reserves — Argentina could soon decrease its dependence on petroleum for almost 60% of total energy consumption and become a major exporter of natural gas to Brazil, Chile, and Uruguay. Finally, a more realistic pricing structure for all sources of energy would spur conservation and curb the sharp upward trend in the ratio of total energy consumption to GDP, which rose 35% from 1973 to 1983. If, for example, that ratio had increased half as fast, and the growth in non-oil energy production (mainly hydroelectric power and natural gas) had remained the same, by 1983 Argentina's oil consumption would have been about 100,000 barrels per day less than it actually was, and there would have been an exportable surplus of oil worth $1 billion.

Reforms that unlock the potential income and export growth that lies within the agricultural, industrial, and energy sectors of Argentina will put an end to the stagnation in living standards and restore the country's image and creditworthiness. The starting point is unenviable. The present government inherited financial markets that provide incentives to borrow but not to save; a regulatory structure and an overextended public sector that limit the investment horizon of the private sector and indirectly stimulate capital flight; and an export tax and an import tariff regime that are not supportive of internationally competitive resource allocation. It also inherited an external debt of $46 billion, equivalent to four-and-a-half times the annual value of total exports — probably the heaviest debt burden in the world. This means if the debt-to-exports ratio is to fall to a more tolerable level of 200% in 1990, export earnings would have to increase steadily by at least 16% per year from now on and no more indebtedness could be contracted beyond the $50 billion anticipated for end-1985.

This is a tall order for any country. Argentina can meet it, however, if in addition to pursuing short-term stabilization policies as it is doing now, it adopts the kind of growth- and export-oriented reforms suggested here. There are not many other countries where measures that put human and natural resources to productive use could yield quicker or greater returns.

Statistical appendix

For key to data in tables see September 1984 issue.

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Information herein is from sources considered to be reliable but is furnished without responsibility on the part of Morgan Guaranty Trust Company.

Nominal effective exchange rates

Index numbers, 1980-82 average=100. Each index shows a currency's trade-weighted appreciation or depreciation measured against 15 other major currencies, using averages of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures. Annual figures are calendar year averages.

	United States	Canada	Japan	Australia	France	Germany	Italy	United Kingdom	Austria	Belgium	Netherlands	Spain	Switzerland	Denmark	Norway	Sweden
1980	90.7	100.4	95.5	96.0	106.5	100.0	108.4	99.8	99.4	105.9	100.2	106.5	95.4	105.1	96.2	103.9
1981	99.5	100.2	105.8	104.0	100.4	97.2	96.8	102.1	98.9	101.8	97.1	99.4	98.3	99.2	100.1	103.3
1982	109.8	99.4	98.6	100.1	93.1	102.8	94.8	98.1	101.7	92.3	102.7	94.1	106.3	95.7	103.7	92.8
1983	114.2	100.8	107.8	92.0	87.3	107.6	90.3	91.6	103.6	90.0	105.0	78.4	111.5	96.4	99.4	82.2
1984	122.4	97.3	113.0	94.2	84.4	107.4	85.7	85.1	103.6	88.9	104.0	77.4	110.5	93.9	97.8	84.3
1984																
February	117.3	100.2	111.9	97.3	84.7	106.0	87.0	91.4	103.5	88.3	104.3	77.1	112.2	94.0	99.0	82.9
March	115.4	98.0	114.7	97.2	85.3	109.0	87.2	89.8	104.2	89.0	105.0	77.2	111.7	94.6	98.7	83.5
April	116.7	97.5	115.7	95.1	85.2	108.6	87.3	88.9	104.1	89.0	104.8	78.1	111.3	94.0	98.9	83.7
May	119.5	96.8	114.6	95.1	84.6	107.7	86.9	89.1	103.8	88.8	104.4	78.4	110.9	93.6	99.1	83.6
June	120.2	96.2	113.3	93.0	84.9	108.2	87.0	88.6	104.2	88.9	104.6	78.0	110.1	93.8	99.1	83.4
July	124.2	95.4	110.8	90.3	84.6	107.7	87.3	87.7	104.1	89.3	104.0	77.3	107.9	93.7	97.4	84.4
August	124.0	97.0	111.4	91.9	84.3	107.3	86.6	87.9	103.8	89.3	103.8	76.6	108.8	93.6	97.1	84.6
September	127.3	96.7	112.0	92.1	83.6	106.2	85.9	87.1	103.2	88.9	103.1	76.9	109.3	93.2	96.9	85.6
October	128.5	96.6	112.0	93.6	83.7	106.3	85.7	85.3	103.2	88.7	103.2	77.0	109.8	93.4	97.1	85.6
November	126.8	96.5	112.5	95.0	84.0	106.7	85.6	85.2	103.4	89.3	103.5	77.4	110.2	94.2	95.5	85.1
December	129.5	96.7	112.0	94.8	83.6	106.1	86.0	83.7	103.2	89.3	103.0	77.8	109.5	94.5	95.5	85.0
1985																
January	132.2	96.9	110.6	93.9	84.1	106.5	86.6	81.2	103.5	90.0	103.2	69.9	107.9	95.1	95.8	85.1
January 4	131.3	96.9	111.0	93.4	83.4	105.8	86.3	82.5	103.2	89.7	102.9	78.0	108.9	94.8	95.4	85.0
11	131.7	97.1	110.2	93.5	83.6	106.2	86.3	81.5	103.4	89.9	103.0	78.7	108.0	95.0	95.8	85.0
18	132.4	96.9	110.5	94.4	83.6	106.1	86.6	80.6	103.7	89.8	103.0	78.1	107.5	95.1	95.8	84.9
25	132.1	96.9	110.7	93.9	83.9	106.4	86.3	80.2	103.5	90.0	103.1	78.0	107.5	95.3	95.8	85.2
February 1	132.3	96.7	110.3	93.9	84.0	106.3	86.2	80.7	103.6	90.0	103.0	78.0	107.1	95.3	95.8	85.3
8	134.3	96.4	109.0	91.0	83.7	105.9	86.2	81.4	103.7	89.9	102.3	78.1	105.9	95.1	96.1	85.5
15	135.5	96.3	109.7	88.1	83.5	106.3	85.8	81.0	103.4	89.3	102.3	77.8	105.3	94.5	95.9	85.5

Real effective exchange rates — industrial countries

Index numbers, 1980-82 average=100. Each index is the corresponding nominal effective exchange rate adjusted for differential inflation in wholesale prices of nonfood manufactures. Underlying price data are partly estimated. Index revisions reflect revised price information or, less frequently, adoption of new price indices to measure inflation in one or more countries.

	United States	Canada	Japan	Australia	France	Germany	Italy	United Kingdom	Austria	Belgium	Netherlands	Spain	Switzerland	Denmark	Norway	Sweden
1980	89.4	99.6	103.0	93.0	102.2	103.5	103.5	99.9	100.2	107.5	99.9	100.9	98.7	103.5	96.6	101.2
1981	100.6	100.0	104.6	102.7	100.1	97.3	98.7	102.3	99.1	100.3	97.6	99.4	98.7	99.2	100.9	102.1
1982	109.9	100.4	92.3	104.3	97.7	99.2	97.8	97.9	100.7	92.3	102.5	99.8	102.6	97.3	102.5	96.7
1983	112.7	103.1	96.6	100.0	95.9	99.3	100.1	92.0	101.6	92.1	101.8	90.6	105.3	98.8	101.2	91.5
1984	118.2	101.2	97.6	105.0	96.2	96.5	101.1	89.2	102.5	90.6	100.2	95.1	102.0	96.4	100.1	96.9
1984																
February	114.1	103.5	97.7	107.4	96.5	97.7	100.0	91.9	102.9	90.0	101.2	92.9	104.3	96.5	101.5	94.7
March	111.9	101.7	99.9	107.3	96.4	98.5	100.6	90.6	103.6	90.6	101.6	93.7	103.9	96.2	101.0	95.7
April	113.0	101.5	100.4	105.2	96.5	98.0	101.2	89.9	103.0	90.7	101.3	95.0	103.2	95.5	101.0	95.5
May	115.7	100.5	99.1	105.6	97.0	96.8	101.1	90.1	102.4	90.9	100.5	95.5	101.7	95.5	101.7	95.7
June	116.3	99.9	97.7	103.6	97.3	97.0	101.3	89.6	102.3	90.8	101.0	95.8	101.1	97.1	101.2	95.3
July	119.9	99.5	95.3	101.1	97.2	96.6	101.7	88.9	102.9	90.9	100.4	95.2	98.8	95.3	99.0	97.0
August	119.4	101.1	95.9	103.2	96.8	95.9	101.3	89.2	102.7	91.2	100.0	94.4	100.3	95.8	98.5	97.7
September	121.6	101.2	96.7	103.2	95.9	95.1	100.8	88.5	101.9	90.8	99.3	95.7	100.6	97.1	99.4	98.9
October	123.6	100.4	96.0	105.0	95.7	95.2	101.3	86.6	101.5	90.2	98.9	96.0	101.3	96.6	100.1	99.1
November	122.0	100.4	96.2	106.8	96.2	95.3	101.4	86.7	102.3	90.6	99.2	97.1	101.5	97.9	98.2	98.8
December	124.2	100.9	95.6	106.7	95.8	94.9	102.3	85.2	101.8	90.5	98.7	97.4	101.1	98.1	98.0	98.8
1985																
January	126.8	101.0	94.3	105.8	96.3	95.1	103.5	82.8	102.1	90.9	98.6	87.8	99.7	99.0	98.7	99.0

Real effective exchange rates – developing countries

Index numbers, 1980-82 = 100

	Argentina	Brazil	Chile	Colombia	Mexico	Peru	Venezuela	Hong Kong	Indonesia	Korea	Malaysia	Philippines	Singapore	Taiwan	Israel	Turkey
1980	116.4	84.8	95.3	94.7	103.7	93.1	91.3	98.4	89.6	95.9	96.2	94.7	98.6	100.9	92.9	102.9
1981	108.0	103.5	108.1	100.5	112.4	103.2	99.6	99.5	99.6	101.2	99.5	100.5	102.7	102.6	99.3	102.4
1982	76.1	112.2	96.5	104.8	83.9	103.7	109.1	102.6	110.8	102.9	104.8	104.8	98.7	96.5	107.7	94.6
1983	71.3	85.6	88.8	103.9	85.6	97.5	116.0	97.0	95.6	97.3	113.0	94.5	97.1	93.1	119.5	95.3
1984	79.4	85.5	89.9	98.7	103.5	99.7	84.4	101.5	96.6	95.9	119.4	107.3	95.8	95.5	118.1	87.7
1984																
January	71.8	85.5	89.2	100.7	96.9	104.0	124.7	98.7	97.7	96.3	118.0	105.8	96.2	94.3	120.1	88.2
February	71.9	85.7	88.8	99.6	98.0	104.4	108.8	97.3	96.6	95.3	115.5	105.4	95.8	93.0	118.6	85.1
March	75.3	80.2	87.3	99.2	96.5	102.8	71.0	95.3	93.7	93.8	115.8	104.2	95.4	91.8	114.6	83.0
April	80.4	79.0	88.8	99.3	99.3	100.6	71.6	96.5	93.9	94.0	116.6	106.3	95.8	92.6	115.0	83.2
May	84.0	80.8	89.9	99.7	102.1	99.8	74.0	98.1	95.6	94.8	118.3	111.6	95.9	94.0	116.7	85.7
June	83.5	83.3	90.3	98.9	103.2	98.8	77.2	98.6	96.5	95.1	118.7	98.0	95.2	94.5	117.5	85.5
July	85.9	86.3	91.4	99.4	104.6	98.4	79.6	100.9	98.9	96.0	121.0	101.5	95.6	96.6	117.7	87.1
August	86.1	86.2	92.5	98.4	104.2	99.4	83.5	101.1	97.3	96.2	121.6	103.2	96.2	97.4	119.1	89.4
September	88.8	88.6	93.0	99.3	105.6	99.7	82.7	104.9	97.2	97.6	124.0	114.5	96.8	98.8	122.0	90.3
October	82.1	89.9	89.7	98.1	107.6	98.9	83.8	108.6	97.4	97.2	121.4	113.3	96.0	98.1	122.1	91.4
November	73.0	88.5	88.3	96.1	108.7	96.0	84.5	108.2	95.8	96.3	120.0	109.8	94.9	96.6	119.2	91.0
December	76.1	91.5	87.1	95.6	110.2	93.3	85.3	110.4	98.1	97.2	121.2	115.4	95.6	97.8	114.4	92.0

International banking market size

at end of period, billions of dollars

	1980	1981	1982	1983			1984	
				Jun	Sep	Dec	Mar	Jun
Gross claims								
Eurocurrencies, on residents and nonresidents	**1 542**	**1 904**	**2 124**	**2 114**	**2 179**	**2 246**	**2 332**	**2 315**
On nonbanks	425	573	701	645	654	666	686	672
On banks	1 117	1 331	1 424	1 469	1 525	1 580	1 646	1 643
In dollars	1 154	1 489	1 683	1 676	1 737	1 797	1 843	1 847
In other currencies	388	415	441	438	442	449	489	468
Domestic currencies, on nonresidents	**348**	**369**	**404**	**410**	**401**	**405**	**409**	**416**
On nonbanks	142	153	263	229	178	171	187	192
On banks	206	216	141	181	223	234	222	224
In dollars	177	193	219	225	218	224	216	228
In other currencies	171	176	185	185	183	181	193	188
Total	**1 890**	**2 273**	**2 528**	**2 524**	**2 580**	**2 651**	**2 741**	**2 731**
On nonbanks	567	726	964	874	832	837	873	864
On banks	1 323	1 547	1 565	1 650	1 748	1 814	1 868	1 867
In dollars	1 331	1 682	1 902	1 901	1 955	2 021	2 059	2 075
In other currencies	559	580	626	623	625	630	682	656
Gross liabilities								
Eurocurrencies, to residents and nonresidents	**1 554**	**1 927**	**2 146**	**2 148**	**2 202**	**2 275**	**2 359**	**2 355**
To nonbanks	272	384	450	444	442	479	501	500
To official monetary institutions	127	113	91	82	86	88	85	88
To other banks	1 154	1 431	1 605	1 622	1 674	1 708	1 773	1 767
In dollars	1 178	1 520	1 729	1 734	1 724	1 849	1 885	1 907
In other currencies	376	407	417	414	478	426	474	448
Domestic currencies, to nonresidents	**283**	**266**	**254**	**252**	**249**	**263**	**268**	**284**
To nonbanks	85	177	166	96	85	89	92	93
To banks	199	89	88	156	164	174	176	191
In dollars	139	130	121	120	120	138	134	146
In other currencies	144	136	133	132	128	125	134	138
Total	**1 837**	**2 193**	**2 400**	**2 400**	**2 450**	**2 538**	**2 627**	**2 639**
To nonbanks	357	561	616	540	527	568	593	593
To banks and official institutions	1 480	1 633	1 784	1 860	1 924	1 970	2 034	2 046
In dollars	1 317	1 650	1 850	1 854	1 844	1 987	2 019	2 053
In other currencies	520	543	550	546	606	551	608	586
Net market size	**906**	**1 156**	**1 332**	**1 319**	**1 333**	**1 343**	**1 375**	**1 393**

International bond issues and bank credits

millions of dollars

	1982	1983	1984	1984		1985	Jan	
				Nov	Dec	Jan	1985	1984
By country of borrower								
Industrial countries	**108 772**	**102 652**	**177 032**	**13 547**	**11 968**	**18 020**	**18 020**	**17 158**
Australia	7 213	5 737	5 816	248	600	752	752	290
Austria	2 068	1 290	2 254	94	203	274	274	316
Belgium	1 528	2 168	1 847	400	—	400	400	—
Canada	15 856	8 571	13 124	210	4 100	4 414	4 414	1 632
Denmark	2 725	3 941	4 825	64	182	398	398	608
Finland	1 446	1 271	1 713	83	42	238	238	145
France	14 813	8 626	11 298	504	723	899	899	739
Germany	1 101	3 197	2 165	131	167	287	287	281
Greece	808	1 291	1 551	—	204	297	297	—
Ireland	1 136	1 869	1 346	124	36	363	363	35
Italy	6 687	4 876	6 917	1 529	292	1 061	1 061	615
Japan	8 397	14 428	17 526	871	588	2 612	2 612	1 769
Netherlands	1 000	1 213	1 973	231	—	139	139	141
New Zealand	4 786	802	3 208	639	40	311	311	—
Norway	2 601	1 969	1 324	49	73	100	100	100
Portugal	1 684	1 030	1 796	—	70	20	20	—
South Africa	1 88.	1 300	1 422	119	21	179	179	31
Spain	2 675	4 977	4 931	205	174	209	209	426
Sweden	3 181	7 144	11 256	741	59	649	649	176
United Kingdom	2 836	2 726	8 899	514	616	492	492	310
United States	21 109	20 276	65 054	5 599	3 607	3 835	3 835	9 508
*Other**	3 233	3 950	6 785	1 192	171	92	92	36
Developing countries	**49 023**	**38 256**	**39 672**	**2 902**	**6 163**	**1 783**	**1 783**	**9 409**
Latin American countries	**29 667**	**15 592**	**17 464**	—	**4 450**	**196**	**196**	**6 530**
Argentina	1 565	1 750	4 212	—	4 200	—	—	—
Brazil	5 972	4 475	6 649	—	—	—	—	6 500
Chile	1 194	1 405	784	—	—	—	—	—
Colombia	776	552	589	—	—	—	—	—
Mexico	9 968	5 138	3 918	—	—	—	—	—
Venezuela	7 241	237	—	—	—	—	—	—
*Other***	2 951	2 035	1 312	—	250	196	196	30
Asian countries	**11 723**	**12 978**	**15 840**	**2 017**	**1 073**	**587**	**587**	**1 686**
India	555	968	945	75	40	150	150	50
Indonesia	1 822	2 363	1 924	27	—	—	—	750
Korea	3 277	4 387	6 201	697	151	227	227	202
Malaysia	2 872	2 197	2 605	—	862	—	—	406
Philippines	888	878	925	925	—	—	—	—
Thailand	414	747	1 221	—	—	—	—	21
Other	1 895	1 438	2 019	293	20	210	210	257
Middle Eastern and African countries	**7 633**	**9 686**	**6 368**	**885**	**640**	**1 000**	**1 000**	**1 193**
Algeria	86	1 993	821	600	—	600	600	—
Nigeria	2 069	2 343	985	—	—	—	—	985
Turkey	277	1 106	741	—	—	—	—	—
Other	5 201	4 244	3 821	285	640	400	400	208
Eastern European countries	**1 479**	**1 294**	**3 244**	**433**	**80**	**536**	**536**	**250**
Hungary	340	741	1 386	—	80	230	230	—
Soviet Union	1 131	93	1 051	—	—	206	206	250
*Other****	8	460	807	433	—	100	100	—
International organizations****	**11 353**	**16 201**	**13 287**	**1 493**	**1 392**	**1 757**	**1 757**	**944**
By type of instrument and currency								
International bond issues	**78 042**	**76 329**	**107 411**	**10 944**	**7 439**	**13 305**	**13 305**	**6 747**
Eurobonds	51 645	48 501	79 458	8 328	5 740	10 944	10 944	6 679
U.S. dollar	43 959	38 428	63 593	5 643	4 654	7 887	7 887	5 771
German mark	2 588	3 817	4 604	545	210	1 075	1 075	302
British pound	748	1 947	3 997	670	238	199	199	281
Japanese yen	374	212	1 212	490	313	545	545	—
European composite units	1 980	2 019	3 032	516	197	457	457	125
Other	1 996	2 078	3 020	464	128	781	781	200
Foreign bonds	26 397	27 828	27 953	2 616	1 699	2 361	2 361	2 068
U.S. dollar	5 946	4 545	5 487	200	600	500	500	200
German mark	2 952	2 671	2 243	268	354	158	158	161
British pound	1 214	811	1 292	31	—	—	—	91
Swiss franc	11 432	14 299	12 626	989	379	991	991	1 236
Japanese yen	3 418	3 772	4 628	945	225	502	502	278
Other	1 435	1 730	1 677	183	141	210	210	102
International bank credits	**92 585**	**82 074**	**125 824**	**7 431**	**12 164**	**8 790**	**8 790**	**19 014**
Eurocurrency credits	85 015	74 222	112 536	6 937	11 558	8 425	8 425	17 816
Foreign credits	7 570	7 852	13 288	494	606	365	365	1 198
Total	**170 627**	**158 403**	**233 235**	**18 375**	**19 603**	**22 095**	**22 095**	**27 761**

*Includes multinational organizations. **Includes unallocated. ***Includes COMECON institutions. ****Includes regional development organizations.

Eurocurrency deposit rates

prime banks' bid rates, at or near end of month

	1981	1982	1983	1984						1985
	Dec	Dec	Dec	Jul	Aug	Sep	Oct	Nov	Dec	Jan
Eurodollar										
overnight	12.87	9.25	9.50	11.75	11.50	11.63	9.81	8.69	8.63	8 50
one month	13.31	9.13	9.69	11.50	11.69	11.00	9.75	8.81	8.38	8.31
three months	13.75	9.19	9.81	11.81	11.88	11.38	10.00	9.06	8.63	8.44
six months	14.81	9.50	10.06	12.25	12.13	11.56	10.25	9.50	9.13	8.69
twelve months	14.75	9.63	10.38	12.75	12.63	11.81	10.81	10.06	9.81	9.31
Euro-Canadian dollar										
one month	15.37	10.00	9.13	12.44	12.13	11.88	11.38	10.88	9.88	9.6[illegible]
three months	15.37	10.00	9.50	12.75	12.13	12.06	11.38	10.50	10.81	9.63
six months	16.37	10.13	9.75	13.06	12.38	12.00	11.56	10.56	10.06	9.63
twelve months	16.37	10.25	10.00	13.25	12.63	12.06	11.63	10.56	10.44	9.88
Euro-french franc										
one month	15.75	23.00	12.13	11.38	10.88	10.94	10.38	10.69	10.69	10.31
three months	17.00	24.00	12.19	11.75	11.88	11.25	10.69	10.88	10.69	10 56
six months	18.00	22.00	12.31	12.69	11.19	11.69	11.31	11.19	11.00	11.00
twelve months	18.25	19.75	12.63	13.63	12.69	12.13	11.75	11.63	11.38	11.63
Euromark										
one month	10.44	5.88	5.25	5.25	5.31	5.44	5.56	5.56	5.50	5.75
three months	10.50	5.88	5.88	5.75	5.50	5.75	5.81	5.56	5 50	6.00
six months	10.56	5.94	6.13	6.13	5.88	5.94	5.81	5.63	5.56	6.06
twelve months	10.25	6.00	6.38	6.56	6.19	6.00	5.88	5.69	5.56	6.13
Euro-Dutch guilder										
one month	10.75	5.13	5.81	6.13	6.06	6.00	5.81	5.63	5.69	6.00
three months	10.75	5.19	6.00	6.38	6.25	6.25	6.00	5.81	5.75	6.13
six months	10.75	5.38	6.25	6.69	6.56	6.38	6.13	5.88	5.81	6.19
twelve months	10.75	5.63	6.38	6.88	6.81	6.50	6.25	6.00	5.94	6.31
Euro-Swiss franc										
one month	8.87	2.81	3.38	4.81	4.50	4.69	4.63	5.13	4.44	5.38
three months	9.25	3.25	3.75	4.88	4.69	5.13	5.06	4.94	4.56	5.38
six months	9.25	3.44	3.94	5.06	4.81	5.19	5.06	4.94	4.63	5.31
twelve months	8.50	3.44	3.94	5.06	5.00	5.06	5.00	4.94	4.69	5.19
Eurosterling										
one month	15.37	10.56	9.13	12.25	10.75	10.69	10.63	9.69	9.50	13.13
three months	15.69	10.44	9.31	12.25	10.69	10.69	10.50	9.69	9.88	12.50
six months	15.69	10.31	9.50	12.19	10.63	10.69	10.44	9.81	10.00	11.94
twelve months	15.37	10.31	9.81	12.13	10.75	10.75	10.56	10.00	10.19	11.88
Euroyen										
one month	6.12	6.75	6.25	6.13	6.38	6.13	6.13	6.50	6.19	6.19
three months	6.12	6.75	6.31	6.31	6.31	6.31	6.31	6.31	6.19	6.31
six months	6.87	7.10	6.38	6.31	6.31	6.31	6.31	6.31	6.13	6.25
twelve months	6.87	6.81	6.44	6.50	6.50	6.44	6.31	6.31	6.13	6.25
European currency unit										
one month	14.63	12.44	8.81	9.31	9.06	9.63	9.50	9.19	9.25	9.94
three months	14.75	12.31	9 19	9.63	9.31	9.81	9.69	9.31	9.38	9.94
six months	15.00	12.00	9.44	10.06	9.94	10.06	9.81	9.38	9.50	9.94
twelve months	14.56	11.19	9.63	10.31	10.25	10.25	10.00	9.69	9.63	9.94

International bond yields

average yield of several actively traded, high quality issues with a maturity of 7 to 12 years
at or near end of month

	1982	1983	1984							1985
	Dec	Dec	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
United States companies										
Eurodollar	11.16	11.59	13.27	12.70	11.97	12.09	11.85	11.17	11.25	11.05
Euromark	7.24	7.34	7.48	7.74	7.40	7.30	7.19	7.08	6.95	7.19
Swiss franc	5.70	5.83	5.78	5.76	5.69	5.72	5.78	5.70	5.73	5.85
European governments										
Eurodollar	12 53	12.65	14.14	13.61	13.03	12 92	12.49	12.00	12.04	11.72
Euromark	8.10	8.12	8.07	8.31	7.94	7.78	7.61	7.43	7.39	7.54
Swiss franc	5.40	5.63	5.59	5.47	5.38	5.39	5.40	5.43	5.24	5.17
European currency unit	n.a.	11.77	11.63	11.60	11.58	11.43	11.00	10.79	10.64	10.62

Central bank discount rates

at or near end of month

	1981	1982	1983	1984				1985	Current	
	Dec	Dec	Dec	Sep	Oct	Nov	Dec	Jan	Feb 19 1985	effective since
United States	12.00	8.50	8.50	9.00	9.00	8.50	8.00	8.00	8.00	Dec 24, 84
Canada	14.66	10.05	9.96	12.28	11.71	10.75	10.16	9.75	10.48	Feb 14, 85
Austria	6.75	4.75	3.75	4.50	4.50	4.50	4.50	4.50	4.50	Jun 28, 84
Belgium	15.00	11.50	10.00	11.00	11.00	11.00	11.00	11.00	11.00	Feb 16, 84
Denmark	11.00	10.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	Oct 27, 83
Finland	9.30	8.50	9.50	9.50	9.50	9.50	9.50	9.50	9.00	Feb 1, 85
France	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9 50	Aug 31, 77
Germany	7.50	5.00	4.00	4.50	4.50	4.50	4.50	4.50	4.50	Jun 29, 84
Ireland	17.15	14.35	11.50	13.00	13.00	14.00	13.75	13.75	14.00	Dec, 84
Italy	19 00	18.00	17.00	16.50	16.50	16.50	16.50	15 50	15.50	Jan 4, 85
Netherlands	9.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.50	Feb 1, 85
Norway	9.00	9 00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	Jun 6, 83
Portugal	18.00	19.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	Aug 10, 83
Spain	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	Jul 26, 77
Sweden	11.00	10.00	8.50	9.50	9.50	9.50	9 50	9.50	9.50	Jun 29, 84
Switzerland	6.00	4.50	4.00	4.00	4.00	4.00	4.00	4.00	4.00	Mar 18, 83
United Kingdom	14.37	10.00	9.00	10.38	10.38	9.38	9.38	13.75	13.75	Jan 28, 85
Japan	5.50	5.50	5.00	5.00	5.00	5.00	5.00	5.00	5.00	Oct 22, 83
New Zealand	13 00	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00	Jul, 81
South Africa	13.50	15.45	18.50	22.25	22.25	21.25	21.25	21.85	22.33	Feb 1, 85
Argentina	98.50	128.54	183.75	199.94	221.31	221.31	221.31	231.89	231.89	Jan 16, 85
Korea	10.50	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	Mar 29, 82
Philippines	6.69	6.30	8.05	11.36	10.93	11.06	12.11	n.a.	12.11	Dec, 84
Singapore	9.50	7 00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	Feb 19, 82
Thailand	14.50	12.50	13.00	13.00	13.00	12.00	12.00	12.00	12.00	Nov, 84
Venezuela	14.00	13.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00	May 18, 83

Day-to-day money rates

monthly averages

	1981	1982	1983	1984							1985
	Dec	Dec	Dec	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
United States	12.37	8.95	9.47	11.06	11.23	11.64	11.30	9.99	9.43	8.38	8.35
Canada	14.53	10.63	8.78	10.75	11.41	12.25	12.13	11.95	11.22	10.50	9.75
Austria	7.50	6.00	5.75	6.50	6.50	6.63	6.63	6.75	7.25	7.63	6.75
Belgium	12.78	9.43	8.65	9.80	10.22	10.72	8.79	9.57	10.24	9.02	9.60
Finland	11.30	11.50	16.70	16.80	16.53	16.50	16.10	15.75	15.48	15.07	14.57
France	15.46	12.88	12.27	12.12	11.45	11.43	11.36	11.04	11.18	10 95	10.56
Germany	10.65	6.07	5.60	5.53	5.57	5.53	5.56	5.61	5.52	5.55	5.54
Ireland	16.88	14.54	12.19	10.94	12.00	11.88	12.38	13.50	14.25	14.50	14.88
Italy	20.63	19.00	17.88	16.75	16.75	16.63	17.34	17.38	17.25	17.25	16.06
Netherlands	10.67	5.31	5.84	5.85	5.98	5.85	5.84	5.90	5.57	5.60	5.78
Norway	18.60	11.00	13.00	12.50	12.00	12.50	13.00	13.00	13.00	13.00	12.50
Spain	18.73	20.30	16.41	11.91	11.15	12.69	12.51	10.83	12.99	12.18	11.43
Sweden	13.82	8.63	11.48	13.50	12 95	13.50	13.50	12.50	10.95	12.15	10.49
Switzerland	3.38	1.25	1.88	2.13	2.88	2.00	2.50	2.00	1.50	1.50	2.63
United Kingdom	9.13	6.70	7.78	5.00	8.63	10.58	7.28	7.38	7.55	6.31	7.38
Australia	12 84	11.04	4.56	11.44	11.34	10.94	10.56	10.61	10.92	10.88	10.89
Japan	6.70	6 92	6.44	5.91	6.03	6.11	6.32	6.15	6.10	6.41	6.17
South Africa	12.75	14.15	16.06	17.25	18.06	20.30	22.63	21.50	21.50	21.13	22.19
Argentina	84.93	155.32	178.30	161.88	194.56	194.56	194.56	215.99	215.99	215 99	226.61
Brazil	103.74	150.42	184.69	226.75	283.79	242.73	285.03	328.87	244.59	272.02	n.a.
Hong Kong	10.75	9.13	13.90	13.00	23.40	11.30	11.99	8.47	7.23	6.80	6.94
Korea	14.40	13.84	11.40	11.90	11.70	11.70	11.20	11.30	10.90	10 00	8.90
Philippines	14.70	16.12	31.18	40.41	39.79	29.13	34.29	40.09	32.17	15.22	n.a.
Singapore	3.96	11.45	7.05	6.80	7.67	8.05	8.16	7.54	6.29	6.01	5.40

Treasury bill rates

bond equivalent yields, at or near end of month

	1981	1982	1983	1984						1985
	Dec	Dec	Dec	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
United States	11.90	8.15	9.28	10.29	10.67	11.06	10.64	9.69	8.71	7.99	7.88
Canada	14.41	9.80	9.71	12.11	12.73	12.13	12.02	11.46	10.50	9.84	9.50
Belgium	16.00	12.25	10.85	11.75	11.75	11.50	11.00	11.00	10.75	10.75	10.70
Ireland	17.35	14.70	11.63	12.08	13.23	12.81	12.71	12.90	14.80	15.10	14.07
Italy	21 36	19.11	16.95	14.85	14.99	14.99	15 40	15.30	14.90	14.69	13.75
Netherlands	9.75	5.63	5.63	5.88	5.75	5.75	5.50	5.63	5.63	5.88	6.31
Spain	n.a.	15.28	14.46	11.17	10.30	9.44	8.91	n.a.	n.a.	n.a.	n.a.
Sweden	n.a.	12.90	11.75	14.20	14.12	14.06	13.80	11.83	12.04	11.83	13.53
United Kingdom	15.31	9.90	9.08	9.08	11.77	10.22	10.39	10.06	9.34	9.37	12.50
Australia	13.27	9.39	8.54	11.24	10.60	9.74	9.60	10.75	10.98	12.27	12.22
Japan	5.42	5.42	4.91	4.91	4.91	4.91	4.91	4.91	4.91	4.91	4.91
New Zealand	11.25	11.25	7.80	7.80	7.80	7.80	7.80	13.50	13.50	13.50	17.50
South Africa	14.55	14.62	18.43	18.44	19.69	23.02	23.02	23.03	21.82	21.94	23.05
Brazil	92.62	115.40	179.15	179.15	179.15	179.15	269.00	273.03	273.03	273.03	n.a.
Mexico	33.23	57.44	53.78	50.55	50.31	50.13	48.36	47.88	47.10	47.71	n.a.
Philippines	13.22	14.54	15.99	28.53	33.34	37.51	42.56	46.30	48.67	47.14	n.a.
Singapore	3.03	2.74	2.59	3.01	3.00	3.01	3.01	3.01	2.85	2.82	2.93

Representative money market rates

bond-equivalent yields on major short-term (mostly 3-4 month) money market instruments other than Treasury bills, at or near end of month

	1981	1982	1983	1984						1985
	Dec	Dec	Dec	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
United States	12.78	8.81	9.75	11.63	11.36	11.58	10.94	9.59	8.84	8.22	8.06
Canada	15.25	9.95	9.87	12.50	13.05	12.30	12.25	11.80	10.80	10.10	9.65
Belgium	16.00	12.35	11.00	11.90	11.90	11.50	11.00	11.00	10.75	10.70	10.75
France	15.25	12.75	12.19	12.06	11.63	11.18	10.94	10.18	10.56	10 69	10.31
Germany	10.50	6.20	6.30	6.10	6.05	5.90	6.05	6.05	5.80	5.75	6.00
Ireland	18.50	15.75	12.19	12.50	13.75	13.25	13.06	13.75	15.38	15.13	14.63
Italy	21.00	19.00	17.88	16.63	16.63	16.63	17.25	17.25	17.25	17.25	16.00
Netherlands	11.00	5.25	6.00	6.19	6.44	6.38	6.19	6.06	5.94	5.75	6.50
Portugal	23.80	15.05	24.11	24.13	24.65	24.53	24.60	24.52	24.51	24.57	24.57
Spain	15.52	16.55	18.48	13.45	12.91	13.19	12.86	12.54	12.95	12.13	12.27
Switzerland	10.12	3.88	3.88	4.50	4.88	5.38	5.38	5.25	5.00	5.00	5.63
United Kingdom	15.69	10.50	9.31	9.44	12.31	10.69	10.69	10.88	9.69	9.88	12.50
Australia	16.00	10.65	9.50	12.70	12.50	11.10	11.30	11.30	11.75	12.50	13.55
Japan	6.30	6.80	6.42	6.32	6.33	6.32	6.30	6.30	6.30	6.29	6.30
New Zealand	16.05	16.75	12.10	17.00	16.50	15.25	16.75	16.25	15.25	15.25	18.75
South Africa	15.47	15.26	19.12	18.74	20.78	23.39	23.56	23.56	22.11	22.78	24.07
Chile	34.54	71.44	22.42	18.16	19.56	18.16	39.29	52.87	56.45	22.42	22.42
Hong Kong	14.18	10.13	12.84	13.13	17.06	12.83	12.78	10.13	8.76	8.26	7.85
Indonesia	14.48	18.50	19.50	20.00	21.00	21.00	21.00	20.00	19.00	19.00	19.00
Korea	15.69	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00
Malaysia	9.50	8.50	9.80	9.70	10.20	10.50	10.30	15.00	10.00	10.30	9.50
Philippines	17.70	15.96	15.61	17.93	19.55	27.32	19.54	31.23	38.67	33.21	n.a.
Singapore	7.81	8.69	8.44	9.00	9.06	9.03	8.81	7.38	6.69	7.00	6.03
Taiwan	10.94	9.94	7.65	7.77	7.27	6.62	7.27	5.17	6.17	8.07	6.78
Thailand	14.29	12.25	16.00	13.50	13.50	13.50	14.50	14.00	12.00	12.00	14.00

Commercial bank deposit rates

at or near end of month

	1981	1982	1983	1984							1985
	Dec	Dec	Dec	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
United States	12.62	8.25	9.70	11.70	11.38	11.58	10.95	9.95	8.85	8.35	8.06
Canada	15.20	9.85	9.82	12.45	13.00	12.25	12.20	11.75	10.75	10.05	9.60
Austria	9.63	6.25	6.50	6.88	6.88	6.94	7.06	7.38	7.63	7.50	6.94
Belgium	15.50	12.25	11.25	12.50	11.63	11.25	10.88	10.75	10.63	10.63	10.75
Denmark	10.00	9.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Finland	5.00	4.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25
France	9.16	8.24	7.66	7.55	7.50	7.30	7.30	7.08	7.14	7.04	6.85
Germany	9.50	6.00	5.90	5.60	5.55	5.40	5.30	5.40	5.30	5.25	n.a.
Ireland	16.38	15.25	11.75	12.25	13.13	12.75	12.75	13.25	14.75	14.63	14.25
Italy	13.25	13.25	13.25	11.64	11.64	11.64	11.64	11.64	11.64	11.64	11.00
Netherlands	11.00	5.38	6.13	6.13	6.31	6.13	6.13	6.00	5.81	5.69	6.38
Norway	12.75	13.50	12.75	12.50	12.25	12.25	12.75	12.75	12.75	12.75	12.25
Portugal	14.00	15.00	21.50	28.00	28.00	28.00	28.00	28.00	28.00	27.00	27.00
Spain	11.78	12 53	12.62	12.75	12.50	12.38	12.18	11.76	11.67	11.64	n.a.
Sweden	12.65	12.15	11.70	13.65	13.70	13.55	13.45	11.50	11.50	11.45	13.10
Switzerland	8.75	3.00	3.50	3.25	4.25	4.88	4.88	4.75	4.63	4.50	5 00
United Kingdom	15.69	10.31	9.31	9.44	12.25	10.59	10.63	10.44	9.75	9.88	13.13
Australia	15.65	10.20	10.40	12.80	12.28	10.85	10.68	11.22	11.46	12.75	13.78
Japan	6.50	7.00	6.50	6.45	6 47	6.46	6.42	6.42	6.43	6.38	6.42
New Zealand	15.50	16.50	11.50	15.00	15.00	15.50	15.25	15.00	15.50	15.25	17.00
South Africa	14.75	15.25	20.13	18.65	20.50	23.25	23.50	23.58	22.00	22.88	24.13
Argentina	86.76	103.42	176.41	158.17	188.58	188.58	270.00	320.00	285.00	380.00	285.00
Brazil	110.05	21.00	23.00	22.00	20.00	21.00	27.00	26.00	26.50	27.00	n.a.
Chile	36 87	57.72	22.28	18.16	19.56	18.16	15.39	58.81	66.31	22.42	21.84
Hong Kong	12.50	7.50	9.00	12.50	12.50	9.50	9.50	8.00	7.50	7.00	5.50
Korea	14.40	7.60	7.60	6.00	6.00	6.00	6.00	6.00	6.00	6 00	6.00
Malaysia	10.00	8.40	7.75	8.83	8.88	8.95	9.37	10.08	10.02	9.58	9.50
Mexico	31.82	52.54	54.70	49.00	49.00	48.35	46.45	44.90	44.90	44.90	n.a.
Philippines	13.35	14.10	14.96	20.83	19.92	20.63	23.36	29.37	32 47	31.01	n.a.
Singapore	7.50	8.25	7.44	8.19	8.19	8.19	8.19	7.01	6.19	6.13	5.44
Taiwan	10.75	7.50	7.00	6.75	6.75	6.75	6.75	6.75	6.50	6.50	6.50
Thailand	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Venezuela	14.75	15.50	12.00	12.00	12.50	12.50	12.00	13.00	13.00	12.50	12.00

Domestic government bond yields

long-term issues, at or near end of month

	1981	1982	1983	1984							1985
	Dec	Dec	Dec	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
United States	14.33	10.61	12.00	13.75	12.97	12.69	12.32	11.86	11.64	11.61	11.28
Canada	15.27	11.69	12.02	13.81	13.41	12.89	12.63	12.18	11.81	11.66	11.38
Austria	10.37	8.81	8.02	8.06	8.09	8.10	8.09	8.10	8.07	8.04	8.00
Belgium	13.99	12 66	11.89	12.13	12.05	11.82	11.85	11.74	11.47	11.56	11.56
Denmark	20.91	20.14	12.96	15.54	15.33	15.17	15.30	14.63	14.92	14.60	13.66
Finland	10.98	10.64	11.16	11.29	11.35	10.83	10.87	10.85	10.84	10.73	10.84
France	16.44	15.40	13.96	13.99	13.91	13.58	13.05	12.02	12.36	12.70	12.12
Germany	9.71	7.90	8.38	8.25	8.27	7.97	7.83	7.53	7.20	7.17	7.35
Ireland	18.28	14.54	14.25	14.58	14.89	14.95	14.98	14.99	15.25	14.90	n.a.
Italy	21.39	19.70	17.69	15.47	15.12	15.22	15.58	15.32	15.23	n.a.	n.a.
Netherlands	11.28	8.16	8.58	8.68	8.69	8.50	8.26	7.94	7.65	7.72	7.42
Norway	12.37	13.32	12.50	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.50
Portugal	17.39	16.63	22.11	21.90	21.19	20.69	21.05	20.84	21 21	22.23	n.a.
Spain	16.20	15.92	18.71	18.18	17.66	17.14	16.66	15.86	n.a.	n.a.	n.a.
Sweden	12.80	13.01	12.30	14.01	14.19	13.70	12.98	12.34	12.16	12.04	12 39
Switzerland	5.40	4.22	4.54	4.69	4.66	4.58	4.81	4.89	4.77	4.78	4.74
United Kingdom	15.02	10.62	9.94	10.81	11.17	10.43	10.18	10.19	9.96	10.25	10.65
Australia	15.00	13.00	13.65	14.00	13.30	13.10	13.50	13.30	13.30	13.40	13.12
Japan	8.11	7.96	7.45	7.50	7.47	7.45	7.37	7.11	6.61	6.36	n.a.
New Zealand	12.55	12.84	10.50	10.06	10.25	15.03	15 31	16.65	16 60	16.60	16.85
South Africa	13.33	11.31	13.64	14.72	15.43	16.04	16.44	16.80	15.90	16.55	17.25
Philippines	13.01	13.64	14.47	19.04	12.19	20.59	38.67	27.31	34.77	18.54	n.a.
Venezuela	12.50	15.00	13.50	14.00	14.00	14.50	14.00	14.50	14.50	14.00	13.00

Commercial bank lending rates to prime borrowers

at or near end of month

	1981	1982	1983	1984							1985
	Dec	Dec	Dec	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
United States	15.75	11.50	11.00	13.00	13.00	13.00	12.75	12.00	11.25	10.75	10.50
Canada	16.50	12.50	11.00	12.50	13.50	13.00	13.00	12.50	12.00	11.25	11.00
Austria	13.50	11.75	9.25	9.25	9.25	9.25	9.25	9.25	9.25	9.25	9.25
Belgium	18.00	15.50	13.75	14.75	14.75	14.25	14.25	14.00	14.00	14.00	14.00
Denmark	15.00	14.00	10.00	10.00	10.00	10.00	10.00	10.00	10.50	10.50	10.50
Finland	9.84	8.95	10.18	10.48	10.48	10.49	10.54	10.52	10.60	10.63	10.67
France	14.00	12.25	12.25	12.25	12.25	12.00	12.00	12.00	12.00	11.50	11.50
Germany	13.00	8.75	7.75	7.75	7.75	7.75	7.75	7.75	7.75	7.75	7.75
Ireland	17.25	16.50	13.75	13.75	13.75	13.75	13.75	13.75	13.75	15.75	15.75
Italy	22.50	20.75	18.75	17.00	17.00	17.00	18.00	18.00	18.00	18.00	17.00
Netherlands	12.00	6.25	7.00	6.50	6.75	6.75	6.50	6.50	6.50	6.25	6.75
Norway	13.75	14.50	13.50	13.00	12.75	12.50	13.00	13.25	13.00	13.00	11.50
Portugal	20.50	23.50	30.00	29.00	29.00	29.00	29.00	29.00	29.00	29.00	29.00
Spain	17.04	15.00	20.85	16.19	15.49	15.27	14.36	14.11	14.29	13.68	13.73
Sweden	15.00	15.00	13.50	14.50	14.50	14.50	14.50	14.50	14.50	14.50	14.50
Switzerland	8.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
United Kingdom	14.50	10.00	9.00	9.25	12.00	10.50	10.50	10.50	9.50	9.50	14.00
Australia	15.75	15.00	12.75	14.75	14.50	14.00	13.00	13.00	13.00	13.50	14.25
Japan	6.95	6.28	5.89	5.73	5.72	5.72	5.72	5.71	5.71	5.71	n.a.
New Zealand	13.00	13.00	11.00	11.00	11.00	12.50	12.50	13.50	14.00	14.00	14.00
South Africa	17.00	18.00	20.00	20.50	22.00	25.00	25.00	25.00	23.50	24.00	25.00
Argentina	92.60	109.50	188.58	170.33	206.83	206.83	280.00	330.00	295.00	390.00	295.00
Brazil	152.40	23.81	24.00	26.00	22.50	23.50	32.00	30.00	30.50	31.00	n.a.
Chile	61.43	85.19	35.11	32.30	32.30	30.38	35.58	78.75	95.33	79.56	58.04
Hong Kong	16.00	10.50	13.50	17.00	17.00	14.00	14.00	12.00	11.50	11.00	11.00
Indonesia	19.25	22.00	19.75	20.75	21.25	22.75	31.50	26.00	23.50	23.50	22.50
Korea	16.50	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Malaysia	12.00	12.50	11.00	11.50	11.50	11.50	11.50	12.00	12.00	12.00	12.00
Mexico	31.81	46.12	56.44	50.38	50.69	50.93	50.60	49.34	48.31	47.54	47.17
Philippines	18.00	18.00	18.00	24.00	24.00	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Singapore	11.83	9.33	8.98	10.08	10.10	10.10	10.33	10.33	9.88	9.40	9.08
Taiwan	15.25	10.75	10.25	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Thailand	17.00	16.00	16.00	17.00	17.00	17.00	17.00	17.00	16.50	16.50	16.50
Venezuela	15.50	17.00	16.00	15.00	15.50	16.00	15.00	15.00	16.00	16.00	15.00

Domestic corporate bond yields

long-term issues, at or near end of month

	1981	1982	1983	1984							1985
	Dec	Dec	Dec	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
United States	15.50	11.75	12.63	14.50	13.38	13.20	12.88	12.63	12.37	12.25	12.00
Canada	16.18	12.74	12.89	14.69	13.91	13.39	13.33	12.90	12.62	12.42	n.a.
France	17.33	15.91	14.06	13.77	13.77	13.77	13.77	12.84	12.58	12.14	12.40
Germany	10.50	8.20	8.30	8.00	8.00	7.90	7.70	7.60	7.30	7.20	7.20
Netherlands	11.03	7.80	8.51	8.43	8.49	8.42	8.21	7.77	7.61	7.51	7.33
Norway	13.36	14.13	13.25	12.75	12.75	12.75	12.75	12.75	12.75	12.75	12.75
Spain	14.76	17.10	19.84	21.63	21.47	21.78	n.a.	n.a.	n.a.	n.a.	n.a.
Sweden	12.94	13.37	12.21	12.41	12.73	12.78	13.18	13.19	13.21	12.33	12.34
Switzerland	n.a.	4.87	4.94	5.07	5.10	5.16	5.12	5.14	5.18	5.20	5.16
United Kingdom	16.55	12.34	11.57	12.69	13.06	12.15	11.74	11.79	11.45	11.64	12.06
Australia	16.50	15.00	13.50	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Japan	7.70	7.55	7.09	7.13	7.09	7.06	6.98	6.99	6.51	6.21	n.a.
Korea	26.90	16.00	14.20	13.70	14.00	14.50	14.60	14.60	14.90	15.00	14.70
Venezuela	17.00	18.00	18.00	18.00	18.00	18.50	18.00	19.00	18.00	18.00	18.00

World Financial Markets

Published by
Morgan Guaranty Trust Company of New York
International Economics Department
23 Wall Street, New York, NY 10015

Member, Federal Deposit Insurance Corporation. Printed in U.S.A.